



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Larry D. Lisenbee

SUBJECT: BI-MONTHLY FINANCIAL
REPORT FOR JULY/AUGUST 2007

DATE: October 9, 2007

Approved

Date

10/10/07

The Bi-Monthly Financial Report (MFR) for July/August 2007 was jointly prepared by the City Manager's Budget Office and the Finance Department and is presented for the City Council's review.

OVERVIEW

Through the first two months of the fiscal year, the City's overall financial position remains stable. Revenues and expenditures are currently performing within expected levels and are tracking to meet budgeted estimates. It is still too early in the fiscal year, however, to draw firm conclusions considering the limited data on some of the City's major revenue sources, such as Sales Tax. There are also concerns that the economic environment is weakening and that this region, along with the State and the U.S. as a whole, will face challenges in the upcoming year. The most recent economic forecasts have not been encouraging with some economists beginning to point to a much higher probability of a recession than previously anticipated, while others continue to forecast a weakening economy but stop short of predicting a recession. A slowdown in the economy directly impacts the City's economically sensitive revenues, which account for approximately half of the General Fund revenues. Weak economic performance was anticipated in the revenue estimates included in the 2007-2008 Adopted Budget, but with no expectation that the economy would enter into a recession, and certainly not one of the severity or duration experienced in the early part of this decade. The Administration will closely monitor economic conditions as the year progresses to assure early warning should conditions deteriorate more than had been anticipated in this budget.

Following are some key highlights in this report:

- The economically sensitive General Fund revenue categories generally ended 2006-2007 at or slightly above estimated levels, which will help provide a buffer if the slowdown in 2007-2008 is more severe than anticipated. This will be particularly useful in the Sales Tax area. Due to the stronger than anticipated performance in the last two quarters of 2006-2007, General Sales Tax growth of only 1% is needed in 2007-2008 to meet the budgeted estimate, considerably below the 3% growth assumption used to develop the 2007-2008 budget.
- Development-related fee activity has experienced mixed results to date with the Building and Public Works Fee Program revenues tracking well below anticipated levels through August, while the Planning and Fire Fee Programs are meeting or slightly exceeding expectations. Staff will closely monitor these activity levels and determine if any budget actions are necessary.

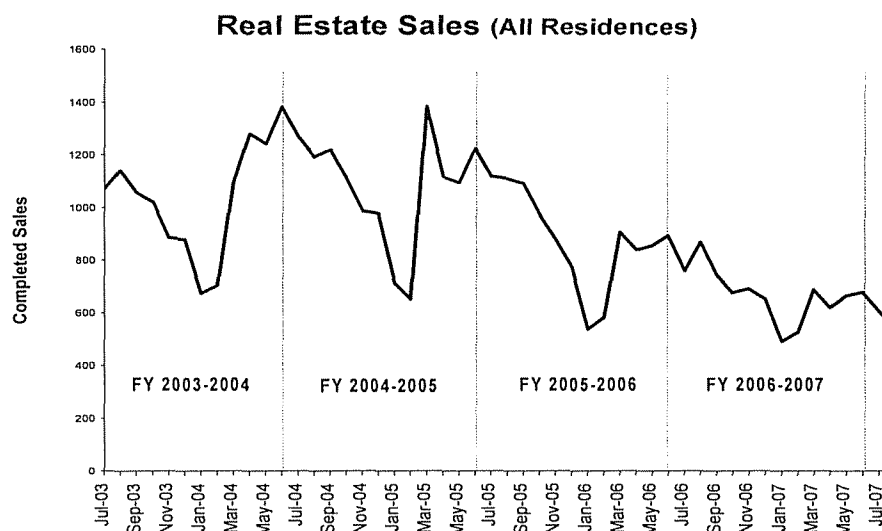
OVERVIEW (CONT'D.)

- The slowdown in the real estate market remains a major concern. The problems associated with sub-prime mortgages and the impact on the housing market were anticipated, however, when the 2007-2008 Adopted Budget was developed and the directly impacted revenue categories (Construction and Conveyance Taxes and SB 813 Property Taxes-supplemental taxes associated with property turnovers) were adjusted downwards accordingly. These categories experienced declines in 2006-2007 that are expected to continue through this fiscal year. The deteriorating housing market is also expected to indirectly impact other areas, such as Sales Tax collections.
- Expenditures are tracking within estimated levels through August. Cost control measures remain in place, such as the hiring freeze, and have generated significant saving in recent years. If current expenditure trends continue, there are a number of departments that would end 2007-2008 with year-end savings, as was the case in 2006-2007.
- Activity at the Airport has finally shown some improvement after several years of flat performance. Through August, the Airport has enplaned over 2 million passengers, an increase of 4.2% from the same period last year. Monthly passenger activity for August was up 4.7% from August 2006. While passenger activity was up, mail, freight and cargo of 31.2 million pounds was down 4.2% from 2006-2007.

Economic Environment

When the 2007-2008 Adopted Budget was prepared, it was assumed that only modest economic growth would be experienced during the fiscal year. The impacts of the slowing housing market were expected to continue to hamper growth in this region, along with the State and the nation.

Through the first couple months of the fiscal year, the economic indicators, particularly the housing-related ones, have not been positive, as expected. As shown in the chart below, the number of housing sales in San José dropped significantly in 2006-2007 and is continuing to fall with a 30% decline through August of this fiscal year.



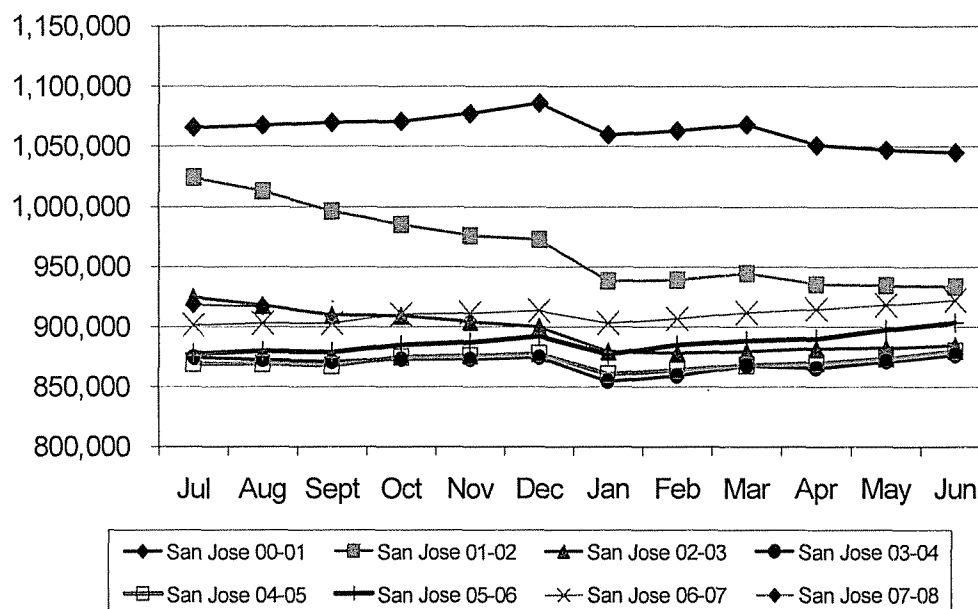
OVERVIEW (CONT'D.)

Economic Environment (Cont'd.)

It is expected that the housing market will continue to experience weak performance through the fiscal year and will directly impact Construction and Conveyance Tax receipts and the SB 813 Property Tax receipts. Collections in these areas already declined 15% and 21%, respectively, in 2006-2007. The significant slowdown in this area is also expected to negatively impact Sales Tax collections with the downward spending in construction materials and the reduction of consumer spending, as the "wealth effect" associated with housing appreciation diminishes. The major impact on Secured Property Taxes resulting from the current slowdown, however, is not expected to be realized until 2008-2009, since current year Secured Property Tax receipts are based on the value of property assessed as of January 1, 2007, with adjustments for roll corrections. While real estate activity had started to slow in 2006, performance during that period was still able to generate relatively strong growth for the 2007-2008 fiscal year. If there are substantial reductions in home prices, however, there is a risk that a larger than expected number of properties will be reassessed during 2007-2008, which would impact Secured Property Tax receipts.

In the area of job growth, employment figures for July 2007 (918,500) and August 2007 (916,800) were both below the June 2007 figure of 922,100. The July and August figures were, however, 1.6% to 1.9% above the same period in the last fiscal year. These growth rates are slightly below the job growth of 2.1% experienced in 2006-2007. The following table illustrates the changes in the number of jobs by fiscal year from the peak in 2000-2001 of 1.1 million jobs to the August 2007 figure of 916,800 jobs.

**San José Metropolitan Statistical Area
 (Santa Clara County)
 Employment: Total Jobs Comparison**



OVERVIEW (CONT'D.)

Economic Environment (Cont'd.)

The unemployment rate of 5% in August 2007, while unchanged from the July 2007 figure, was up from 4.5% a year ago. This unemployment rate was below the unadjusted figure for the State of 5.4%, but above the unadjusted figure for the nation of 4.6% in August.

On a national level, consumer confidence sank in September 2007 to almost a two-year low according to the most recent Consumer Confidence report issued by the Conference Board. "Weaker business conditions combined with a less favorable job market continue to cast a cloud over consumers and heighten their sense of uncertainty and concern," said Lynn Franco, the group's research director.

Recent economic forecasts also point to little or no economic growth in the near future although there are varying opinions on whether the economy will sink into an actual recession. In the September 2007 UCLA Anderson Forecast, California Report, the forecasters predict continued sluggish performance but falling short of a recession: "our forecast is that California is in for at least another year of these economic doldrums, with rising unemployment, weak job growth, and a slowdown in broad indicators. But barring the emergency of a second source of weakness in the economy—or a substantial worsening of the real estate sector beyond what we're already predicting—we maintain our forecast that this sluggishness will not spiral into a full-blown recession."

Other forecasters, however, view a recession as the more likely scenario. The 2007 South Bay Economic Forecast, presented by Beacon Economics, estimates a 75% probability of a recession, spurred by a slowdown in consumer spending. In both the recession scenario and the soft-landing scenario, the economy is expected to slow. "California is suffering from a larger housing overhang than most other places in the U.S. and this will impact the entire State economy. The Bay [Area] has more sources of stability than many parts of the state because of strong fundamentals in important industries, high income growth in recent years, and the benefit that rising export demand means for the industry....As for San Jose itself, the region is already starting to suffer from the overheated housing markets, and job losses in construction and real estate have caused overall employment growth to slow and unemployment rates to rise. Still, the region has enough income pouring in to offset this slowing with little in the way of extensive secondary effects. The greatest risk to the economy is the rest of the U.S....While the situation is glum, it is not all negative. The recession, if it does hit, will be sharp but short. Expect solid growth to resume locally and nationally by mid-2009 and 2010 will be the best year yet for the region."

Given these mixed projections, economic conditions will continue to be closely monitored and will be factored into the assessment of the City's performance in 2007-2008 as well as development of the 2009-2013 General Fund Forecast. A preliminary forecast is expected to be released at the end of October 2007, with a final General Fund Forecast planned to be released in February 2008.

GENERAL FUND

REVENUES

General Fund revenues through August 2007 totaled \$65.3 million. This was a decrease of \$6.2 million (8.6%) from the August 2006 level of \$71.4 million. This lower collection level, however, primarily reflected the timing of payments in the Franchise Fee, Sales Tax, and Transfer and Reimbursements categories. These payments are expected to end the year within budgeted levels. These lower collection levels were partially offset by higher collections in the Revenue from Local Agencies and Other Revenue categories.

While it is still early in the fiscal year, there are no indications that the overall General Fund revenue estimates for 2007-2008 will not be met. In fact, with slightly higher than expected receipts in 2006-2007, collections should meet or slightly exceed the budget estimates by year-end, barring a dramatic change in economic conditions. The Budget Office will, of course, continue to refine its revenue estimates as additional information becomes available.

The following discussion highlights General Fund revenue activities through August.

KEY GENERAL FUND REVENUES

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Property Tax	\$ 198,154,000	\$ 640,448	\$ 537,453

The small amount of year-to-date Property Tax revenues primarily reflects collections in the SB 813 Property Tax category (supplemental taxes associated with property turnovers). This category generated revenues of \$446,000 through August, which was consistent with the \$450,000 collected through the same period last year. This first payment from the County, however, reflects only a small percentage of the total annual collections in this area. While no drop is currently reflected in year-to-date receipts, it is anticipated that collections will fall significantly in this area based on the slowdown in the housing market. For July and August 2007, the number of property sales declined almost 30% when compared to the same time last year. A significant drop-off in this category was, however, anticipated when the 2007-2008 Adopted Budget was developed based on the assumption that real estate sales would continue to decline through this fiscal year. In 2006-2007, receipts fell 20.7% in this category. Receipts can fall an additional 38% from the \$8.0 million collected in 2006-2007 and still meet the 2007-2008 budget estimate of \$5.0 million in this category.

The remaining \$194,000 received through August reflects minor adjustments associated with roll corrections in the Unsecured Property Tax category that occurred in the latter part of 2006-2007. The largest payment for the Unsecured Property Tax category is received in October of each year.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Property Tax (Cont'd)

While no actual payments had been received through August for the Secured Property Tax, it is still anticipated that collections will slightly exceed the Adopted Budget estimate. Based on the most current tax roll information provided by the County of Santa Clara, Secured Property Tax receipts are projected to exceed the adopted estimate of \$181.4 million by as much as \$1.5 million. The 2007-2008 collections are based on the value of property assessed on January 1, 2007, with any roll corrections. It is currently assumed that there will be no major downward reassessments of property values during the year. Tax roll adjustments are still occurring and will continue to take place until the end of May 2008. The Budget Office is continuing to work with the County to assess what implications any fluctuation in revenues due to this factor might have for the prospects of growth in the overall Secured Property Tax category. It is also anticipated that the Homeowners Property Tax Relief will come in at the budgeted level of \$1.1 million.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Sales Tax	\$ 152,636,000	(\$ 3,153,450)	(\$ 441,487)

The Sales Tax category includes General Sales Taxes and Proposition 172 Sales Taxes. General Sales Tax receipts through August still reflected a negative amount of \$3.6 million due to the 2006-2007 year-end accrual to account for the last quarter of 2006-2007. The current receipts do not yet reflect actual performance in 2007-2008. The first actual receipt information concerning current year activity, representing the first quarter collections of the fiscal year, will not be received until late December.

While there is no data for the current fiscal year, the City received preliminary information on San José's performance in the last quarter of 2006-2007, representing sales activity for April through June. This data, which was received in September, showed very modest growth of 2%. San José's increase for that period was lower than that experienced by Santa Clara County (up 3.1%) and the San Francisco Bay Area (up 2.6%), but was higher than Northern California (up 1.7%) and the State as a whole (up 0.7%).

When the 2007-2008 budget estimate was developed, it was assumed that no growth would be experienced in the last two quarters of 2006-2007 and growth of 3% would be experienced in each quarter of 2007-2008. Because growth of 3.7% and 2% was experienced in the last two quarters of 2006-2007, an increase of approximately 1% is all that is needed in 2007-2008 to meet the budget estimate. If 2007-2008 receipts increase by 3% over the prior year, collections will exceed the 2007-2008 estimate by \$2.5 million. Given the current economic indicators, this level of growth, however, seems unlikely.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Sales Tax (Cont'd)

The Proposition 172 Sales Tax receipts of \$430,000 are tracking well below the prior year collection level of \$959,000 due to the timing of payments. The August 2007 figure represented one month of activity while the August 2006 figure represented two months. Actual collections are tracking within estimated levels through August.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transient Occupancy Tax	\$ 8,988,000	\$ 942,967	\$ 708,843

Through August, Transient Occupancy Tax collections of \$943,000 were tracking 33% above the prior year collection level of \$709,000 for the same period. This increase reflects year-end accounting adjustments as well as actual growth in collections.

The occupancy rate at the 14 major hotels was 65.42% in August 2007, which was above both the July 2007 rate of 64.31% and August 2006 rate of 59.96%. The average room rate also increased from \$121.05 in August 2006 to \$137.12 in August 2007. While it is early in the fiscal year, it is anticipated that receipts will meet or exceed the budgeted estimate by year-end based on the slightly higher than estimated collections in 2006-2007 and the continued strong performance through the first couple of months of this fiscal year.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Utility Tax	\$ 79,141,000	\$ 7,855,708	\$ 8,440,627

Utility Tax collections of \$7.9 million were down 6.9% from last year's collection level of \$8.4 million. This lower collection level was actually, however, entirely the result of accrual differences from the prior year. Actual collections for August only (which excludes the impact of accruals) were up 8.0%.

In the Electric Utility Tax category, collections of \$3.9 million were tracking 10.9% below the prior year level of \$4.4 million again due solely to accrual adjustments. Actual receipts for August totaled \$3.66 million and reflected growth of 3.0% from the August 2006 collection level. In the Gas Utility Tax category, receipts of \$738,000 were 12.8% above the prior year of \$654,000. The 2006-2007 Adopted Budget estimate of \$9.7 million assumed no growth in this category. Since the majority of revenue is received in the winter months, collections during that period will provide a much better indicator of year-end receipts in this category. Collections of \$1.1 million in the Water Utility category are tracking within budgeted levels.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Utility Tax (Cont'd.)

Collections in the Telephone Utility Tax category of \$2.1 million are tracking below the prior year level of \$2.5 million also due entirely to accrual adjustments. In August, receipts of \$2.1 million tracked 5.9% above the \$2.0 million collected in August 2006. It is currently anticipated that receipts will meet or slightly exceed the budgeted estimate of \$24.7 million by year-end. As discussed last year, there remains a potential for legal challenges associated with the Telephone Utility Tax as a result of the repeal of the federal Excise Tax, from which the City's Telephone Utility Tax was modeled. At this point, the telephone companies have continued to remit the Telephone Utility Tax payments. This issue is being closely monitored by the Attorney's Office, the Finance Department, and the City Manager's Office.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Licenses and Permits	\$ 79,719,404	\$ 13,209,457	\$ 11,018,749

Through August, Licenses and Permits revenue of \$13.2 million tracked 19.9% above the prior year level of \$11.0 million due to higher Business Tax receipts that resulted primarily from timing differences in payments. Following is a discussion of the major components of this category.

Cardroom Business Tax collections of \$1.0 million were below the prior year level of \$1.4 million, but slightly above the 2005-2006 collection level of \$906,000. Based on 2006-2007 collections of \$12.5 million, 2005-2006 collections of \$11.2 million, and actual performance through August, this revenue category is expected to meet the budget estimate of \$11.8 million by year-end. In the Business Tax category, revenues of \$5.8 million through August were tracking well above the prior year level of \$2.9 million due primarily to the timing of the first quarterly renewal billing. In the current year, a \$2.7 million renewal billing was booked in August, while last fiscal year, the first quarterly renewal billing of \$2.6 million was booked in September. Additional collection efforts by the Finance Department are also increasing receipts in this area. While it is early in the fiscal year, it is currently anticipated that Business Tax collections will meet the budgeted estimate of \$12.6 million by year-end. Disposal Facility Tax revenue of \$1.0 million through August is also expected to meet the budget estimate of \$15.0 million by year-end.

Through August, Fire Permit collections of \$1.7 million were tracking approximately 7% above estimated levels and well above the prior year receipts of \$786,000. In 2006-2007, however, receipts were understated because approximately \$700,000 was not deferred from 2005-2006 to 2006-2007. After adjusting for deferrals, revenues in the current year were tracking approximately 12% above 2006-2007 levels. Development-related collections of \$853,000 are 11.5% above levels received through August 2006, primarily due to slightly higher than anticipated revenue in non-renewable permits, inspections, and miscellaneous revenue, offset by lower activities in plan check fees.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

Licenses and Permits (Cont'd)

Through August, plan check revenue of \$322,000 was tracking 29.7% below the estimate of \$458,000 and 28.4% below the prior year level of \$450,000. While current overall development activities are in line with projected budgeted revenues, there are indications that activity is slowing. It is too early to estimate a potential impact on Fire revenues, as year to date performance is above estimated levels. At this time, the Fire Department projects that it will end the year within budgeted revenue levels. The City Manager's Budget Office and Department will continue to monitor development revenues closely.

Building Permit revenues of \$3.5 million were tracking well below both budgeted levels and the 2006-2007 collection level of \$4.3 million. Because collections in 2006-2007 ended the year significantly below anticipated levels, growth of 15%, well beyond what is likely, is needed in 2007-2008 to meet the budget estimate. Revenues in all but one category were performing below anticipated levels through August, with significant shortfalls in building plan check and residential activity in building and specialized trades permits. The only bright spot was in New Residential Mechanical Permits. In the Building Permit area, August residential activity was slow with 126 units, which is less than half of the 284 units in the same period last year. Groundbreaking occurred on Almaden Walk Townhomes (56 units). Commercial and industrial building permit activity was moderate. Permits were issued at The Plant Shopping Center and a 78,000 square foot privately owned aircraft hanger/office building at the airport. If current collection trends continue, revenue in this program could fall below the budgeted estimate by over \$2 million. While any revenue shortfall could be offset by the use of the fee reserve and expenditure savings, the lack of revenue growth remains a major concern. Staff will continue to control expenditures to minimize the gap between revenue and expenditures in this fee program.

The development-related revenues will be closely monitored to determine whether budget actions will be necessary during the year.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Use of Money and Property	\$ 13,909,080	\$ 1,381,270	\$ 1,101,600

Use of Money and Property revenue collections of \$1.4 million through August were well above the prior year level of \$1.1 million, primarily reflecting higher cash balances in the General Fund. If the current rate of earnings continues, this category could exceed the budgeted estimate by year-end by over \$1 million.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Revenue from Local Agencies	\$ 47,243,063	\$ 13,250,382	\$ 4,771,120

This category includes reimbursement from the Redevelopment Agency for City services, grants from various agencies, reimbursement for fire suppression services in unincorporated County pockets, and reimbursement for emergency medical services. Revenues through August of \$13.3 million were well above the prior year level of \$4.8 million due solely to differences in the timing of payments. The City received \$10.1 million in reimbursement from the Redevelopment Agency for the Convention Center debt service payment in August of this fiscal year, which was earlier than last year. Revenues in this category are currently expected to end the year close to the adopted estimate.

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Departmental Charges	\$ 30,714,618	\$ 5,559,323	\$ 5,226,963

Overall, the Departmental Charges category was performing within budgeted estimates through August. Following is a discussion of the two major development-related fee areas in this category.

Planning Permit revenue of \$1.1 million was above the prior year collection level of \$944,000 and was tracking within estimated levels to meet the 2007-2008 revenue estimate of \$6.3 million. Revenues in most categories were performing at or above anticipated levels through August except in the non-residential area for rezonings/rezonings, environmental clearance report, and planned development permits. This is welcome news given the poor performance in 2006-2007 that resulted in the recommended use of almost all of the Planning Fee Reserve. The Budget Office will continue to work with the Planning, Building and Code Enforcement Department to project the year-end collection level and will bring forward appropriate adjustments, if necessary, to keep revenues and expenditures in balance.

Public Works revenues through August of \$899,000 were, on the other hand, 20% below the prior year level of \$1.1 million and are currently tracking well below estimated levels. Revenues in nearly every category are performing below expectations with a few exceptions (materials testing-non-residential, utility excavations, and non-residential engineering). To meet the 2007-2008 budget estimate, growth of 7.6% over the prior year is necessary. The Budget Office will continue to work with the Public Works Department to determine whether adjustments to revenues and expenditures will be necessary before year-end. The Public Works Fee Reserve and expenditure savings are available to offset any revenue shortfall.

Collections in the other fee areas, including Library, Police, Transportation, and Parks, Recreation and Neighborhood Services, are on target to meet or exceed the budgeted estimates by year-end.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND REVENUES (CONT'D.)

<u>Revenue</u>	<u>2007-2008 Estimate</u>	<u>YTD Actual</u>	<u>Prior YTD Collections</u>
Transfers and Reimbursements	\$ 100,604,767	\$ 16,135,340	\$ 25,001,982

This category includes overhead reimbursements from operating and capital funds, transfers, and other reimbursements. Transfers and Reimbursement collections of \$16.1 million through August were 35.5% below the prior year level of \$25.0 million. The lower collection level, however, reflects only the timing of overhead payments as well as the differences in the amount budgeted for transfers in 2007-2008. Overall, collections in the Transfers and Reimbursements category are expected to meet or exceed budgeted estimates by year-end based on higher overhead reimbursements from capital funds.

While the operating overhead reimbursements are typically received at the adopted budget level, the capital overhead reimbursements are received based on actual capital expenditures. These reimbursements are currently tracking above anticipated levels based on the activity levels in the capital funds and should exceed the budget estimate by year-end.

EXPENDITURES

Through August, General Fund expenditures of \$147.6 million were 37.7% above (up \$40.4 million) the prior year level of \$107.2 million. Encumbrances of \$49.74 million were 17.7% above (\$7.5 million) the prior year level of \$42.25 million. Departmental expenditures of \$99.8 million were above the prior year level of \$71.6 million primarily due to timing issues that result in higher personal services costs through August. In this fiscal year, there were four pay periods reflected in the first two months; while at the same point last fiscal year, only three pay periods had been booked through August. In the non-departmental area, expenditures of \$47.8 million were above the prior year level of \$35.6 million primarily due to the earlier booking of the Convention Center debt service payment of \$10.2 million (this earlier payment also resulted in higher revenues due to the earlier reimbursement by the Redevelopment Agency).

Expenditures and encumbrances (\$197.3 million) through August constitute 21.8% of the total 2007-2008 revised budgeted uses of funds (\$907.0 million, excluding reserves). On an overall basis, cumulative departmental and non-departmental expenditures are tracking within approved budgeted levels through August. There are several departments that are currently tracking below anticipated levels in the personal services category due primarily to vacancies, including Parks, Recreation and Neighborhood Services, Finance, Information Technology, City Attorney's Office, and Planning, Building and Code Enforcement.

Following is a discussion of the expenditure performance for the Police and Fire Departments, the City's largest General Fund departments.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES

<u>Department</u>	<u>2007-2008 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Police	\$ 283,594,775	\$ 41,283,222	\$ 29,590,572

On an overall basis, Police Department expenditures were tracking close to estimated levels. Personal Services expenditures through August totaled \$39.4 million or 15.2% of the budget. This expenditure level is very close to the par level of 15.3%. Overtime expenditures through August, however, tracked slightly above anticipated levels at \$1.4 million or 18.5% of the budgeted level due to special summer events that occurred downtown. Lower activity levels in the winter months should offset these higher costs. The personal services budget includes \$1.3 million that was rebudgeted from 2006-2007 to fund the Police Department's Sworn Hire Ahead program. An additional \$762,000 is recommended to be rebudgeted as part of the 2006-2007 Annual Report for this program. Under the Sworn Hire Ahead program, the Police Department hires new Officers to fill vacant positions before the positions become vacant to allow for the lengthy training period. The goal is to have a "street ready" officer available within 90 days of a vacancy. The Budget Office will continue to work closely with the Police Department to monitor this program and the overall personal services expenditures to ensure expenditures are within approved appropriations by year-end.

In the Sworn Recruitment and Training Program, the Police Department graduated 30 Police recruits from the January 2007 Academy, with the officers expected to be street-ready in October 2007. In addition, the Department hired 31 Police recruits for the July 2007 Academy, with officers expected to be street-ready in April 2008.

The compensatory time balance at the end of August 2007 was 241,057 hours for sworn personnel. This represents a 17,832 hour increase (8.0%) compared to the August 2006 balance of 223,225. The increase in sworn compensatory time balances is due to a number of factors, including responses to specific types of crimes such as homicides that require immediate and intensive investigations, and the need to backfill for vacancies. The Police Department will continue to monitor balances and, to the extent possible, implement measures to curb the level of compensatory time accrued.

A total of \$6.6 million (29.6%) of the Police Department's Non-Personal/Equipment budget was expended or encumbered through August. It is estimated that the Department will end the year within its Non-Personal/Equipment allocation.

GENERAL FUND (CONT'D.)

KEY GENERAL FUND EXPENDITURES (CONT'D.)

<u>Department</u>	<u>2007-2008 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$ 134,754,083	\$ 20,260,692	\$ 15,219,961

Overall, expenditures for the Fire Department were tracking within budgeted estimates through August, with 15.0% expended. Personal Services expenditures through August tracked at the par level of 15.3%. Salary and benefit expenditures of \$14.6 million tracked slightly above par level while overtime expenditures tracked at lower than estimated levels with \$1.7 million expended (13.9%). The lower overtime expenditure level is due to various budgeted overtime activities (such as the Fire Engineer Academy) that have not yet occurred. At this time, the Fire Department expects that overtime expenditures at year-end will be lower than budgeted. Savings in this category, however, will be needed to offset projected higher expenditures in salaries and benefits. The Fire Department currently anticipates ending the year within the budgeted Personal Services allocation.

Through August, the Fire Department had a total of 269 filled paramedics (174 front-line, 5 Supervisors, and 90 support). This total exceeds the 150 front-line medics that are currently necessary to fully staff all apparatus. Of the 26 Firefighters that graduated from the January 2007 Academy in April 2007, 17 have secured paramedic accreditation through August 2007. Of the 25 Firefighter recruits that began the April 2007 Academy, 19 graduated in August 2007. These Firefighters are expected to complete their paramedic accreditation by December 2007. The Fire Department projects that it will have no problem maintaining the target staffing level of 150 front-line Firefighter Paramedics.

The Fire Department's Non-Personal/Equipment budget of \$7.6 million was 33.0% expended or encumbered through August and is expected to end the year within the budgeted allocation.

CONTINGENCY RESERVE

The General Fund Contingency Reserve remains at \$29.1 million through August, with no revisions through the first two months of the fiscal year

OTHER FUNDS

Construction and Conveyance Tax Funds

As expected, Construction and Conveyance Tax collections have been declining for the past year. The August 2007 collections of \$3.5 million, however, exceeded the August 2006 receipts of \$3.1 million. It should be noted, however, that the August 2006 results reflected a 35% decline from the prior year, the largest drop realized in any month in the 2006-2007 fiscal year. While the August 2007 receipts were somewhat positive, the September 2007 receipts of \$3.4 million continued the downward trend with a decline of 10.5% from September 2006. When the 2007-2008 Adopted Budget was developed it was assumed that collections would experience further declines, reflecting the continuing difficulties in the housing market, and conservative revenue estimates were therefore used. Collections can drop 35% from \$41.8 million collected in 2006-2007 and still meet the current budget estimate of \$27 million.

Construction and Conveyance Taxes are almost entirely generated from property transfers, which have continued to slow in the last several months. As of August the number of property transfers for all types of residences has decreased by approximately 30% from the prior year. While the number of transactions is down, the median home price is still up when compared to August 2006. The median home price in August 2007 was \$765,000, up 6% from the August 2006 figure of \$721,000. It is anticipated that the housing market will remain slow through the remainder of the fiscal year.

Other Construction-Related Revenues

Through August, permit valuation for residential construction activity was below prior year levels while commercial and industrial construction activity was above prior year levels. Residential activity has been slow, with the total construction of 126 units in August, and is well below the number of units constructed in the same month last year (284 units). Groundbreaking occurred on *Almaden Walk Townhomes*, a 56-unit project by Olson Homes. New commercial construction activity was moderate with valuation for commercial permit activity at \$30.4 million. More permits were issued at *The Plant Shopping Center*. The latest permits issued were for the construction of four small buildings adjacent to the "town square," three small buildings at the immediate corner of Curtner and Monterey, and tenant improvements for three larger buildings nearing completion. Industrial activity was moderate with valuation for industrial permit activity at \$23.8 million. A permit was issued to *ACM Aviation* for construction of a 78,000 square-foot aircraft hangar/office building at the Norman Y. Mineta San José International Airport. This permit activity drives the revenue collection in several categories, including the Construction Excise Tax, the Building and Structure Construction Tax, and the Residential Construction Tax, and is an indicator of future activity for several other categories, such as the storm and sanitary sewer system fees.

Through August, actual receipts for the seven revenue sources monitored for this report were all tracking below anticipated levels. Collections totaled \$4.8 million, which represented a decrease of 11.3% from the \$5.4 million collected through the same period last year. The major revenue sources – Building and Structure Construction Taxes and Construction Excise Taxes – tracked lower than revenues collected through the same period in 2006-2007. Building and Structure Tax receipts

OTHER FUNDS (CONT'D.)

Other Construction-Related Revenues (Cont'd.)

through August totaled \$1.9 million, which was 18.9% of the 2007-2008 estimated level of \$10.2 million. This represented a decrease of 8.7% from the revenues collected through the same period last year (\$2.1 million). The budgeted estimate for this category, however, allows for only a 4.3% drop in 2007-2008. Construction Excise Tax revenues through August totaled \$2.7 million (18.4% of the current 2007-2008 estimate of \$14.8 million), which represents approximately the same level of collection from last year's \$2.7 million received over the same period. Growth of 2.0% in 2007-2008 is needed to meet the budgeted estimate for this category.

Other construction-related revenues are generated by Residential Construction Taxes, Municipal Water Service Connection Fees, Municipal Water Major Facilities Fees, Sanitary Sewer Fees, and Storm Drain Fees. All these fees are currently tracking below prior year levels and staff will continue to monitor these revenues closely. Storm Drain Fees totaled \$25,000, which represents 8.1% of the current 2007-2008 estimate of \$304,000. This collection level indicates a 19.3% decrease from the fees received through the same period last year (\$31,000). Residential Construction Taxes totaled \$19,000, which represents 7.3% of the current 2007-2008 estimate of \$256,000 and a 70.1% decrease from the fees received through the same period last year (\$62,000). Sanitary Sewer Fees totaled \$122,000, which represents 10.1% of the current 2007-2008 estimate of \$1.2 million. This collection level reflects a 72.4% decrease from the fees collected through the same period last year (\$444,000). Both Municipal Water Service Connection Fees and Municipal Water Major Facilities Fees have not received any revenue through August. But because Municipal Water Service Connection Fees and Municipal Water Major Facilities Fees recover actual costs to install new services, this collection level is coupled with lower costs as well.

Airport Funds

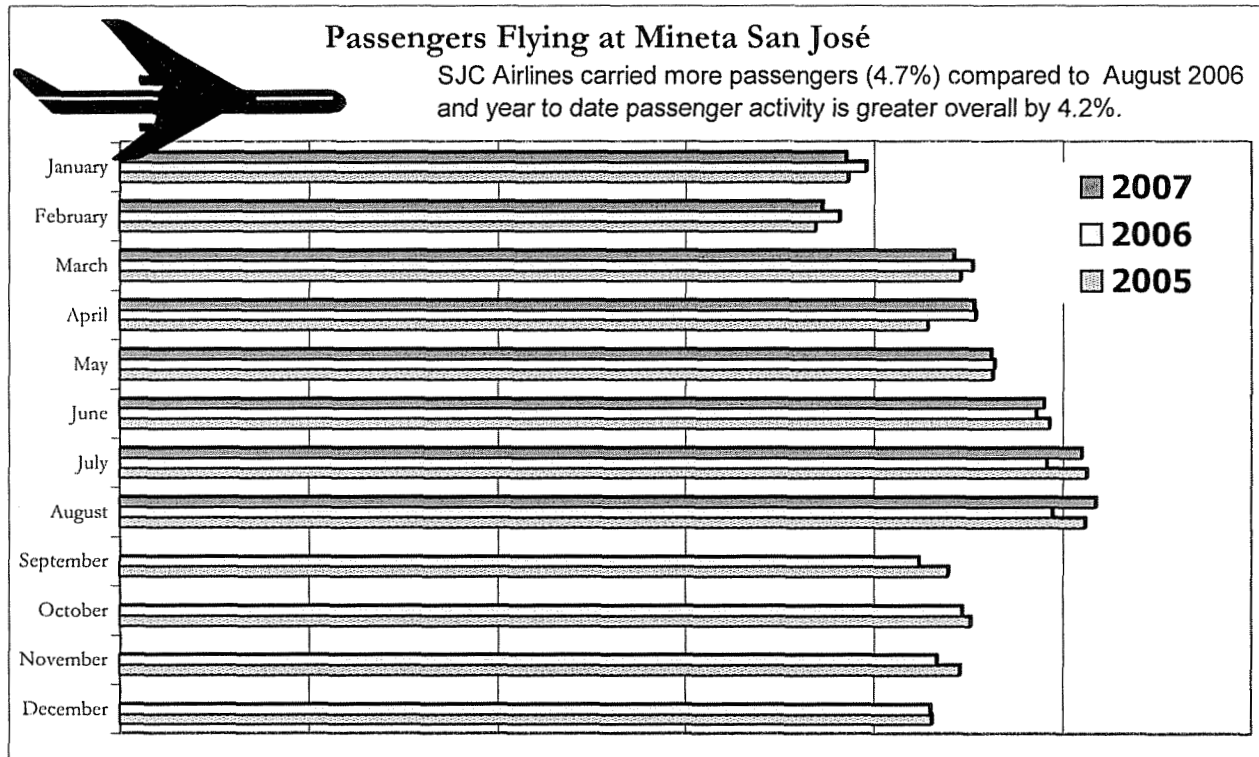
On a fiscal year-to-date basis, the Norman Y. Mineta San José International Airport (SJC) enplaned and deplaned over 2.0 million passengers, an increase of 4.2% from the figures reported through August of the prior year. Monthly passenger activity for August exceeded that of August 2006 by 4.7%. Fiscal year-to-date mail, freight and cargo totaled 31.2 million pounds, and reflected a 4.2% decrease from 2006-2007. Year-to-date Passenger Facility Charge (PFC) revenues were 3.7% greater than in the previous fiscal year.

Operating revenues through August 2007 totaled \$17.48 million with mixed performance results across all revenue categories. On an overall basis, revenues were 5% higher than the projected budget and significantly above the prior year as a result of increased terminal rental rates and receipt of a one-time signing bonus for the new advertising contract with Clear Channel Airports.

Year-to-date revenues from the Airport Customer Facilities and Transportation Fee Fund totaled \$369,034, or 6.8% below the anticipated budget and 3.2% below the prior year levels.

OTHER FUNDS (CONT'D.)

Airport Funds (Cont'd.)



Through August, Airport Maintenance and Operation Fund expenditures tracked below the budgeted estimate levels in both Personal and Non-Personal/Equipment Services. Personal Services expenditures were 13.9% of budget compared to the benchmark of 15.3%, with savings attributed to vacancies. Non-Personal/Equipment expenditures were 6.9% of budget, not including encumbrances, and were slightly lower than the benchmark of 8.2%.

Expenditures in the Airport Customer Facilities and Transportation Fee Fund are tracking slightly less than expected.

Transient Occupancy Tax Fund

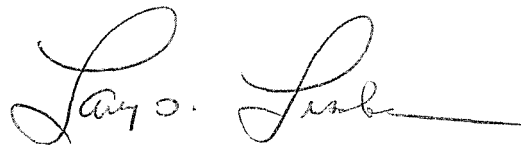
Transient Occupancy Tax (TOT) collections of \$1.3 million through August were above both prior year collection and budgeted levels. As described earlier for General Fund Transient Occupancy Tax collections, the occupancy rate at the 14 major hotels was 65.42%, which was above both the July 2007 rate of 64.31% and August 2006 rate of 59.96%. The average room rate also increased from \$121.05 in August 2006 to \$137.12 in August 2007. The increases in both room rates and occupancy rates translate into an increase in overall revenue.

CONCLUSION

Through August, the City's finances remain in sound condition, with revenues and expenditures generally tracking within estimated levels. The City's financial performance in 2006-2007 provided a solid starting point for 2007-2008, which may prove to be very beneficial given the weakness in the current economic environment.

When the 2007-2008 Adopted Budget was developed, it was assumed that only modest economic growth would be experienced this fiscal year, hampered by the slowdown in the housing market. Although two months of data is not enough to draw any conclusions, this basic underlying assumption is proving to be accurate to date. As anticipated in the Adopted Budget, under the current economic environment, it is anticipated that this region, along with the State and the U.S. as a whole, will face challenges in the upcoming year. The extent of those challenges remains the question. The most recent economic forecasts, however, have not been encouraging, with some economists pointing to a higher probability of an actual recession than previously estimated. At this point, minimal economic growth is still expected in 2007-2008. The stronger than anticipated performance at the end of 2006-2007 provides a buffer to help address a slowdown in the current year, but we will need to closely monitor the economic situation and collections of our most economically sensitive revenues throughout the year to assure we can react quickly and appropriately should conditions deteriorate more than had been anticipated.

As always, staff will continue to report to the City Council any and all significant developments through this reporting process.

A handwritten signature in black ink, appearing to read "Larry D. Lisenbee". The signature is fluid and cursive, with a long horizontal stroke at the end.

LARRY D. LISENBEE
Budget Director



FINANCE DEPARTMENT

Monthly Financial Report

Financial Results for the 2 Months Ended August 31, 2007
Fiscal Year 2007-08

Finance Department, City of San José
Monthly Financial Report
Financial Results for the 2 Months Ended August 31, 2007
Fiscal Year 2007-08

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Financial Results for the 2 Months Ended August 31, 2007
Fiscal Year 2007-08

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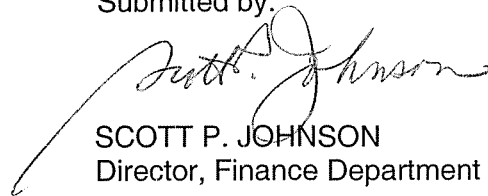
Capital Project Funds

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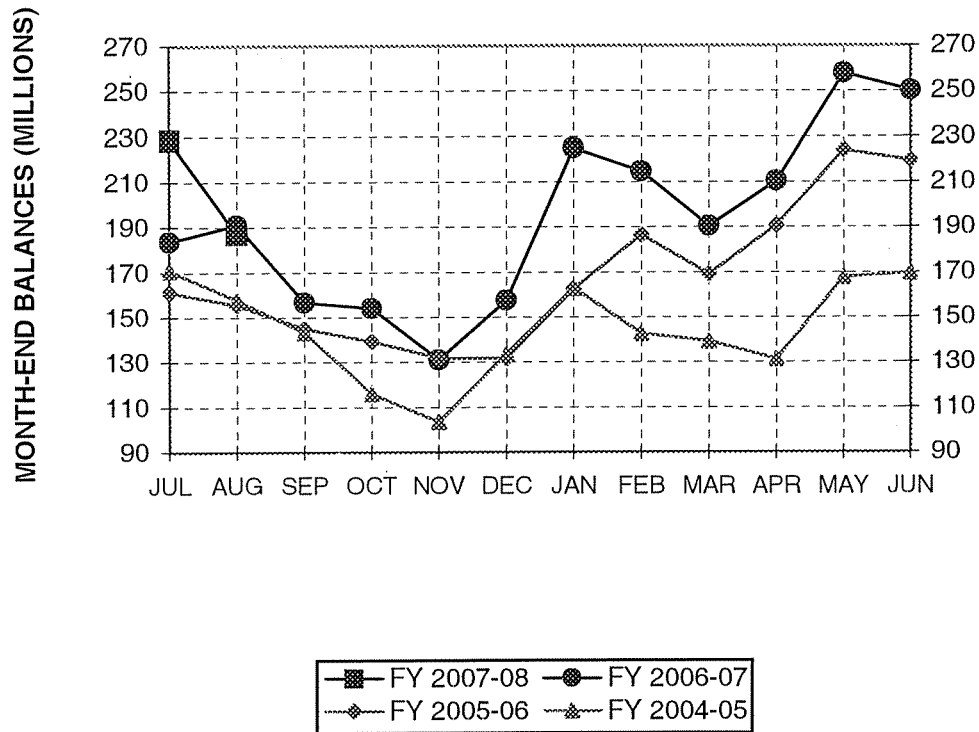
Other Fund Types

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Submitted by:


SCOTT P. JOHNSON
Director, Finance Department

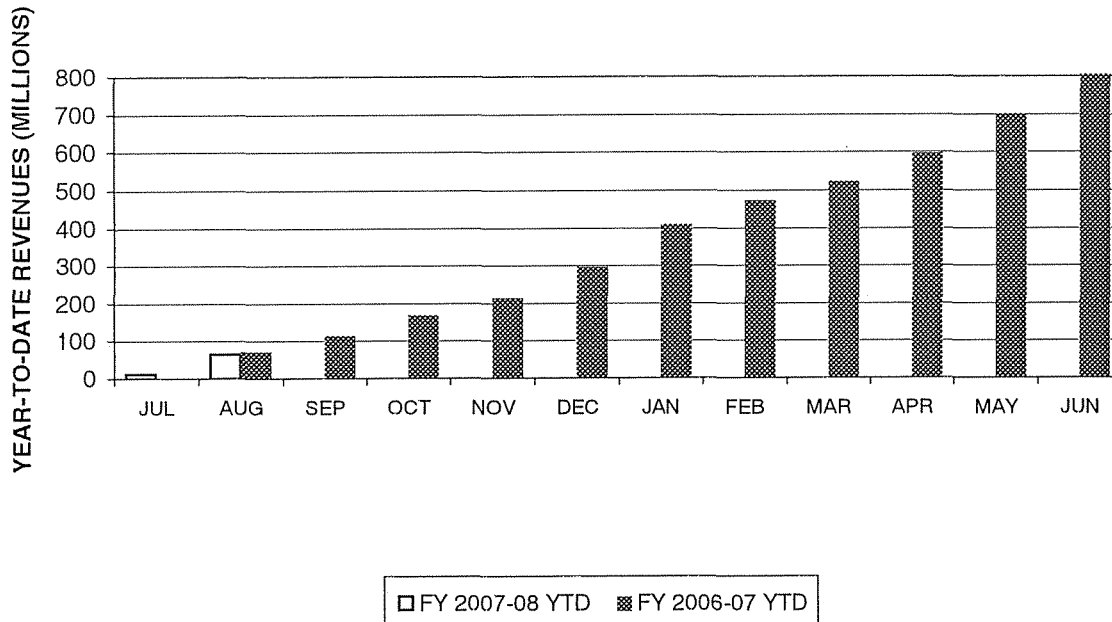
GENERAL FUND Comparison of Cash Balances



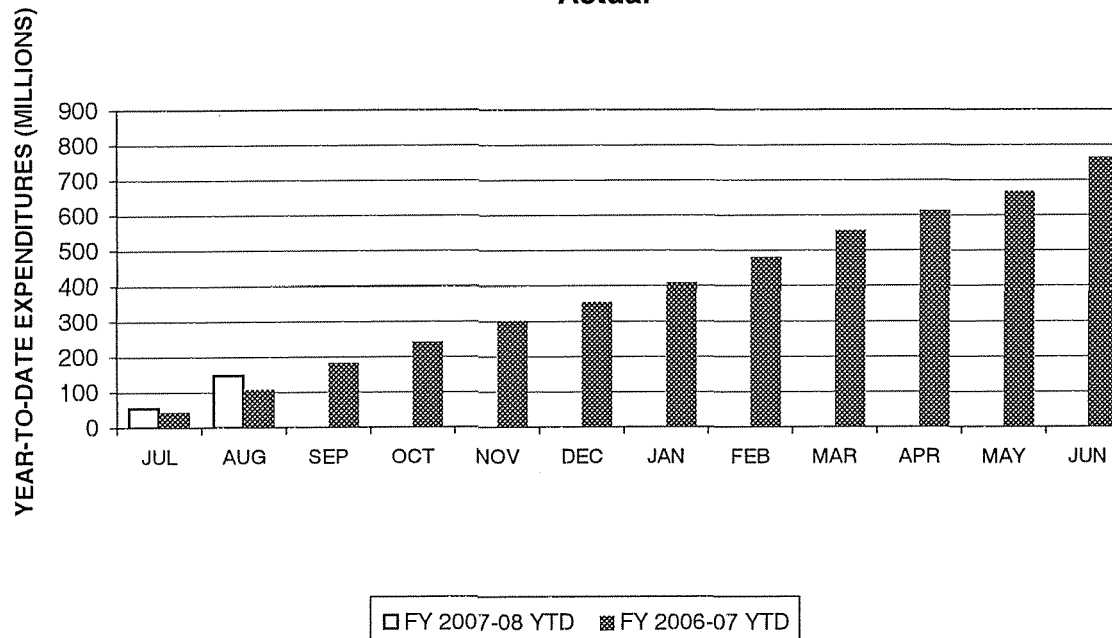
GENERAL FUND MONTHLY CASH BALANCES

MONTH	FY 2007-08	FY 2006-07	FY 2005-06	FY 2004-05
JULY	\$ 228,551,607	\$ 183,638,084	\$ 161,103,519	\$ 170,866,370
AUGUST	186,835,010	190,974,568	155,276,638	157,724,418
SEPTEMBER		156,674,730	144,980,057	143,118,210
OCTOBER		154,011,382	139,052,451	115,750,195
NOVEMBER		131,009,877	131,757,140	103,292,889
DECEMBER		157,479,064	131,612,938	133,482,542
JANUARY		224,766,520	162,598,761	162,721,265
FEBRUARY		214,574,932	186,471,797	142,587,409
MARCH		190,320,128	169,141,222	139,318,867
APRIL		210,342,744	190,637,410	131,310,126
MAY		257,771,653	224,072,193	167,609,044
JUNE		250,180,874	219,498,514	169,498,646

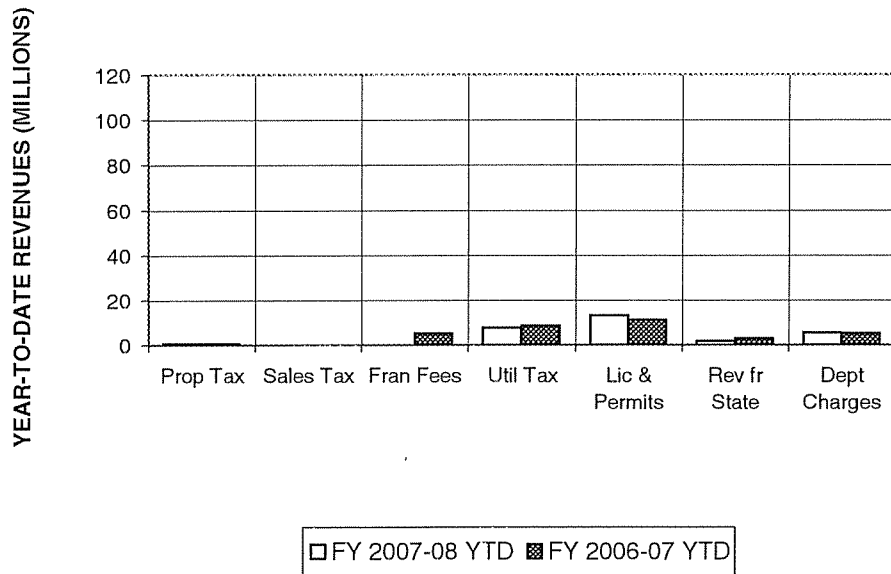
GENERAL FUND
Comparison of YTD Revenues
Actual



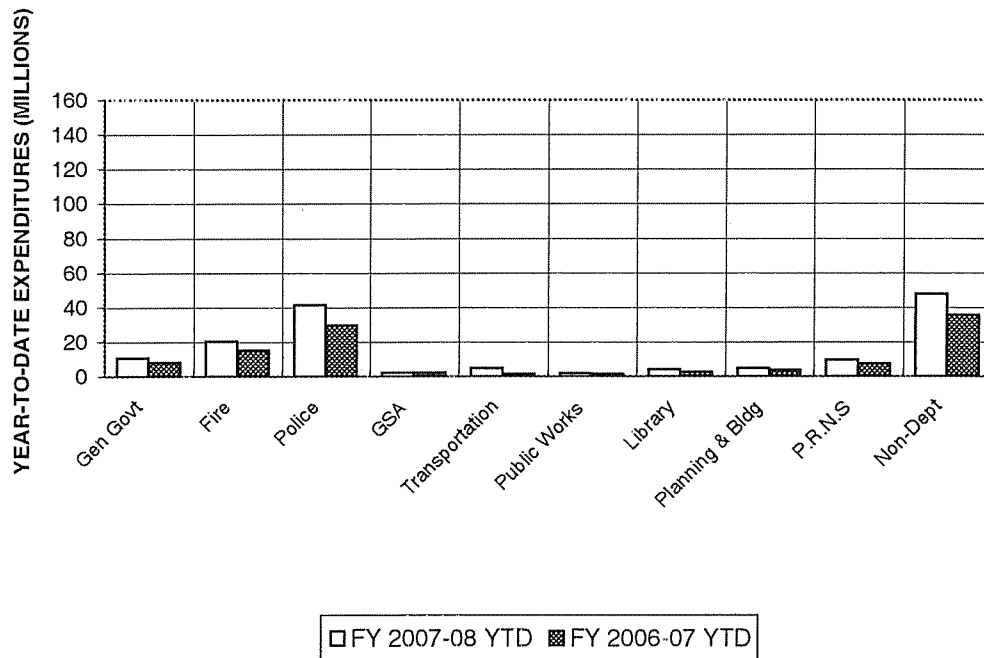
GENERAL FUND
Comparison of YTD Expenditures
Actual



GENERAL FUND MAJOR REVENUES
Comparison of YTD Actual vs. Prior YTD Actual
For the 2 Months Ended August 31, 2007



GENERAL FUND MAJOR EXPENDITURES
Comparison of YTD Actual vs. Prior YTD Actual
For the 2 Months Ended August 31, 2007



Note: State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2006-2007 impact through August 2007, after receiving the second half of the triple flip payment in May 2007, is approximately \$7.5 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FUND BALANCE, REVENUE, TRANSFERS & REIMBURSEMENTS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	CUR YTD ACTUAL	CUR YTD ACTUAL % OF BUDGET	PRIOR YTD ACTUAL	PRIOR YTD % OF PRIOR YEAR-END ACTUAL	PRIOR YEAR-END BUDGETARY BASIS ACTUAL	CUR YTD LESS PRIOR YTD ACTUAL	% CHANGE CUR YTD ACTUAL LESS PRIOR YTD ACTUAL
Fund Balance											
Prior Year Encumbrances	\$ -	-	28,678	28,678	-	0.00%	-	0.00%	25,124	-	0.00%
Liquidation of c/o Encumbrance	-	-	-	-	-	-	-	-	-	-	-
Available Balance	205,468	-	-	205,468	-	0.00%	-	0.00%	209,418	-	0.00%
Total Fund Balance	205,468	-	28,678	234,146	-	0.00%	-	0.00%	234,542	-	0.00%
General Revenues											
Property Tax	198,154	-	-	198,154	640	0.32%	537	0.28%	189,683	103	19.16%
Sales Tax (Note 2)	152,636	-	-	152,636	(3,153)	-2.07%	(441)	-0.29%	149,962	(2,712)	-615.07%
Transient Occupancy Tax	8,988	-	-	8,988	943	10.49%	709	8.24%	8,600	234	33.00%
Franchise Fees	39,032	-	-	39,032	(1,248)	-3.20%	5,114	12.65%	40,415	(6,362)	-124.40%
Utility Tax	79,141	-	-	79,141	7,856	9.93%	8,441	10.67%	79,129	(585)	-6.93%
Licenses and Permits	79,719	-	-	79,719	13,209	16.57%	11,019	14.78%	74,562	2,190	19.88%
Fines, Forfeits and Penalties	14,708	-	-	14,708	2,341	15.92%	2,406	17.12%	14,052	(65)	-2.70%
Use of Money and Property	13,909	-	-	13,909	1,381	9.93%	1,102	7.05%	15,634	279	25.34%
Revenue from Local Agencies	47,243	-	-	47,243	13,250	28.05%	4,771	10.53%	45,314	8,480	177.76%
Revenue from State of Cal.	10,429	-	-	10,429	1,679	16.10%	2,736	21.00%	13,028	(1,057)	-38.64%
Revenue from Federal Government	6,143	324	-	6,467	(1,131)	-17.48%	(1,133)	-8.15%	13,907	2	-0.19%
Departmental Charges (Note 1)	30,715	-	-	30,715	5,559	18.10%	5,227	17.54%	29,801	333	6.36%
Other Revenues	18,527	1,763	-	20,290	7,801	38.45%	5,952	21.94%	27,128	1,849	31.07%
Total General Revenues	699,344	2,087	-	701,432	49,128	7.00%	46,439	6.62%	701,215	2,689	5.79%
Transfers & Reimbursements											
Overhead Reimbursements	33,135	-	-	33,135	1,839	5.55%	14,916	43.49%	34,301	(13,078)	-87.67%
Transfers from Other Funds	49,645	-	-	49,645	14,066	28.33%	8,553	16.23%	52,699	5,513	64.45%
Reimbursements for Services	17,825	-	-	17,825	231	1.29%	1,532	8.64%	17,746	(1,302)	-84.94%
Total Transfers & Reimburse	100,605	-	-	100,605	16,135	16.04%	25,002	23.87%	104,746	(8,867)	-35.46%
Total Sources	\$ 1,005,418	2,087	28,678	1,036,183	65,263	6.30%	71,441	6.87%	1,040,503	(6,178)	-8.65%

Note 1 - See Supplemental Schedule on Page 7

Note 2 - State Budget Balancing actions resulted in the "Triple Flip", which suspended a portion of local government's Sales and Use Tax and Motor Vehicle License Fee revenues and replaced them with local property tax revenues. The 2006-2007 impact through August 2007, after receiving the second half of the triple flip payment in May 2007, is approximately \$7.5 million.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED	YTD		REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END	% CHANGE	
	FY 2007-08	BUDGET	C/O	FY 2007-08	ACTUAL	ENCUMBR	ACTUAL %	YTD	YEAR-END	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL(1)	ACTUAL	ACTUAL	PRIOR YTD	LESS PRIOR YTD
											ACTUAL(1)	ACTUAL
General Government												
Mayor and Council	\$ 9,665	-	28	9,693	1,043	55	10.76%	799	11.98%	6,695	244	30.59%
City Attorney	13,385	-	1,607	14,992	1,797	1,563	11.99%	1,242	10.05%	13,969	555	44.68%
City Auditor	2,835	-	10	2,845	329	99	11.57%	274	11.56%	2,380	55	20.11%
City Clerk	3,046	-	38	3,083	258	54	8.38%	178	4.84%	3,716	80	45.20%
City Manager	9,776	45	340	10,161	1,258	564	12.38%	1,062	11.89%	9,271	196	18.42%
Finance	11,487	273	515	12,275	1,641	791	13.37%	1,158	11.65%	10,451	483	41.75%
Information Technology	16,990	-	739	17,729	2,304	1,758	12.99%	1,656	11.06%	15,707	648	39.12%
Employee Services	7,724	-	160	7,884	995	449	12.62%	717	11.14%	6,598	278	38.79%
Redevelopment Agency	1,411	-	-	1,411	187	-	13.24%	162	12.98%	1,248	25	15.28%
Independent Police Auditor	833	-	9	842	131	3	15.51%	96	12.66%	767	35	36.01%
Office of Economic Development	4,461	-	709	5,169	648	680	12.53%	672	14.76%	5,263	(24)	-3.64%
Office of Emergency Services	532	-	-	532	70	-	13.19%	51	12.35%	413	19	37.62%
Total General Government	82,143	318	4,154	86,615	10,661	6,017	12.31%	8,067	11.15%	76,478	2,594	32.16%
Public Safety												
Fire	134,390	-	364	134,754	20,261	1,684	15.04%	15,220	11.99%	127,314	5,041	33.12%
Police	281,142	-	2,453	283,595	41,283	4,658	14.56%	29,591	11.49%	259,901	11,692	39.51%
Total Public Safety	415,532	-	2,817	418,349	61,544	6,343	14.71%	44,811	11.66%	387,215	16,733	37.34%
Capital Maintenance												
General Services	19,389	-	2,268	21,658	2,345	6,424	10.83%	2,228	11.77%	21,189	118	5.28%
Transportation	34,267	-	773	35,040	4,759	1,965	13.58%	1,301	4.25%	31,386	3,458	265.92%
Public Works	10,641	-	337	10,978	1,682	1,620	15.32%	1,350	13.71%	10,186	332	24.56%
Total Capital Maintenance	64,298	-	3,378	67,676	8,785	10,009	12.98%	4,878	8.21%	62,761	3,907	80.10%

(1) Does not include encumbrance balance.

CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
EXPENDITURES
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)

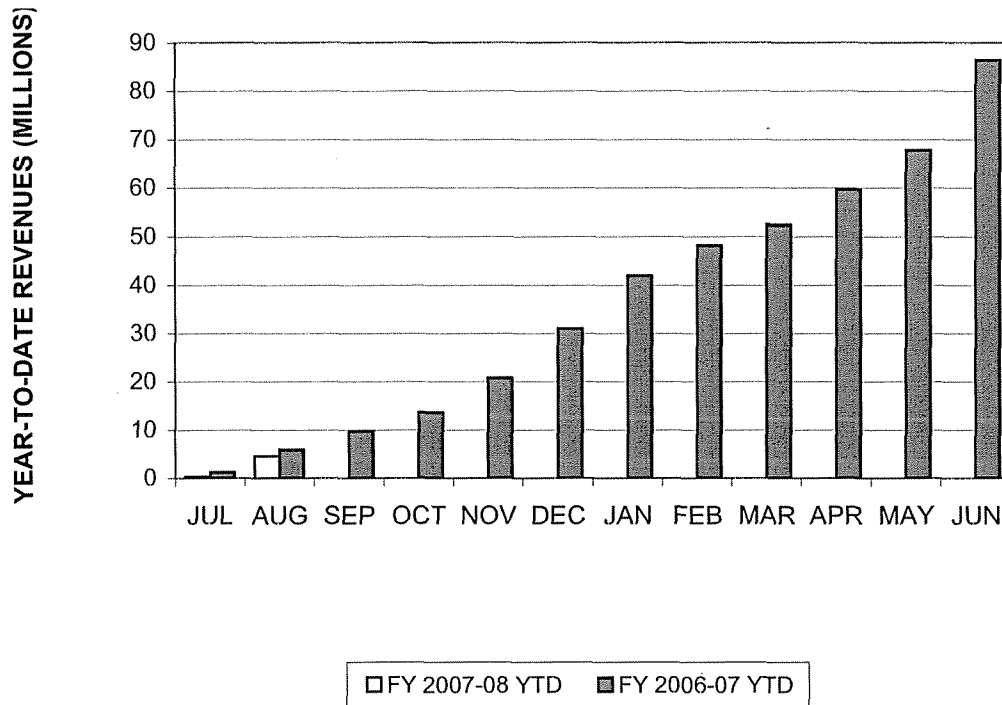
	ADOPTED	YTD		REVISED	YEAR-TO-DATE		CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END		% CHANGE
	FY 2007-08	BUDGET	C/O	FY 2007-08	ACTUAL	ENCUMBR	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	ENCUMBR	OF BUDGET	ACTUAL(1)	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
									ACTUAL	ACTUAL	ACTUAL(1)	ACTUAL
Community Service												
Library	28,807	-	93	28,900	4,239	476	14.67%	2,713	10.07%	27,041	1,526	56.23%
Planning, Bldg & Code Enf.	39,284	-	323	39,607	4,938	556	12.47%	3,732	11.34%	33,220	1,206	32.32%
Park, Rec & Neigh Svcs	65,046	-	3,805	68,851	9,762	6,885	14.18%	7,380	12.88%	61,104	2,382	32.27%
Environmental Services	1,786	-	356	2,142	(164)	596	-7.67%	59	4.45%	1,682	(223)	-378.48%
Total Community Services	134,924	-	4,576	139,500	18,774	8,514	13.46%	13,884	11.72%	123,047	4,890	35.22%
Total Dept. Expenditures	\$ 696,896	318	14,925	712,139	99,764	30,882	14.01%	71,640	11.29%	649,501	28,124	39.26%
Non-Dept Expenditures												
City-wide Expenditures:												
Econ & Neighborhood Develop.	\$ 29,920	1,490	2,092	33,501	11,794	5,064	35.21%	741	3.00%	26,814	11,053	1491.69%
Environmental & Utility Services	1,352	-	318	1,671	3	327	0.15%	2	0.19%	1,361	1	26.91%
Public Safety	5,623	279	2,072	7,973	938	1,812	11.76%	478	3.26%	16,740	460	96.21%
Recreation & Cultural Services	11,338	-	1,910	13,249	1,032	1,772	7.79%	2,228	25.97%	10,491	(1,197)	-53.71%
Transportation Services	3,133	-	325	3,458	110	413	3.18%	112	5.77%	2,266	(2)	-1.85%
Strategic Support	76,719	-	2,958	79,677	5,828	4,258	7.32%	4,781	11.42%	44,822	1,047	21.90%
Total City-wide Expenditures	128,085	1,769	9,675	139,529	19,705	13,646	14.12%	8,343	8.99%	102,494	11,362	136.19%
Capital Contributions	22,380	-	4,078	26,458	1,656	5,212	6.26%	901	10.50%	12,657	755	83.82%
Transfers to Other Funds	28,877	-	-	28,877	26,467	-	91.66%	26,329	89.37%	29,459	139	0.53%
Total Non-Dept Expenditures	179,342	1,769	13,753	194,864	47,828	18,858	24.54%	35,572	27.18%	144,610	12,256	34.45%
Reserves												
Contingency Reserves	29,139	-	-	29,139	-	-	0.00%	-	0.00%	-	-	0.00%
Earmarked Reserves	100,041	-	-	100,041	-	-	0.00%	-	0.00%	-	-	0.00%
Total Reserves	129,179	-	-	129,179	-	-	0.00%	-	0.00%	-	-	0.00%
Total Uses	\$ 1,005,418	2,087	28,678	1,036,183	147,593	49,740	14.24%	107,212	14.01%	794,111	40,380	37.66%

(1) Does not include encumbrance balance.

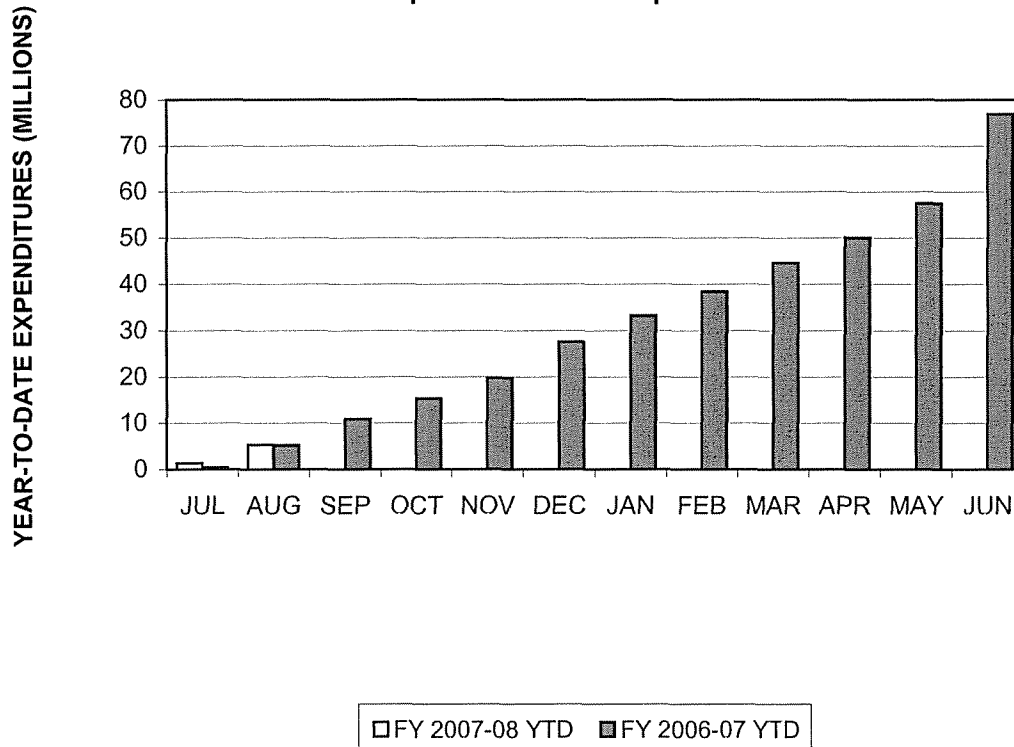
CITY OF SAN JOSE
GENERAL FUND SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
SUPPLEMENTAL SCHEDULE - DEPARTMENTAL REVENUES
(UNAUDITED)
(\$000's)

	ADOPTED	YTD		REVISED	CUR	CUR YTD	PRIOR	PRIOR YTD %	PRIOR YEAR-END		% CHANGE
	FY 2007-08	BUDGET	C/O	FY 2007-08	YTD	ACTUAL %	YTD	OF PRIOR	BUDGETARY	CUR YTD LESS	CUR YTD ACTUAL
	BUDGET	AMENDMENTS	ENCUMBR	BUDGET	ACTUAL	OF BUDGET	ACTUAL	YEAR-END	BASIS	PRIOR YTD	LESS PRIOR YTD
								ACTUAL	ACTUAL	ACTUAL	ACTUAL
Police	\$ 1,568	-	-	1,568	196	12.53%	252	14.88%	1,693	(56)	-22.04%
Public Works	8,674	-	-	8,674	899	10.36%	1,122	13.92%	8,063	(223)	-19.88%
Transportation	1,049	-	-	1,049	137	13.05%	191	15.35%	1,244	(54)	-28.31%
Library	1,307	-	-	1,307	10	0.75%	2	0.15%	1,351	8	388.76%
Planning, Bldg & Code Enf	6,264	-	-	6,264	1,172	18.71%	983	18.43%	5,337	189	19.19%
Parks Rec & Neigh Svcs	7,953	-	-	7,953	2,834	35.63%	2,400	28.51%	8,419	434	18.06%
Miscellaneous Dept Charges	3,900	-	-	3,900	311	7.98%	276	7.47%	3,694	35	12.77%
Total Departmental Revenues	\$ 30,715	-	-	30,715	5,559	18.10%	5,227	17.54%	29,801	333	6.36%

CONSTRUCTION & CONVEYANCE TAX FUNDS Comparison of YTD Revenues



CONSTRUCTION & CONVEYANCE TAX FUNDS Comparison of YTD Expenditures



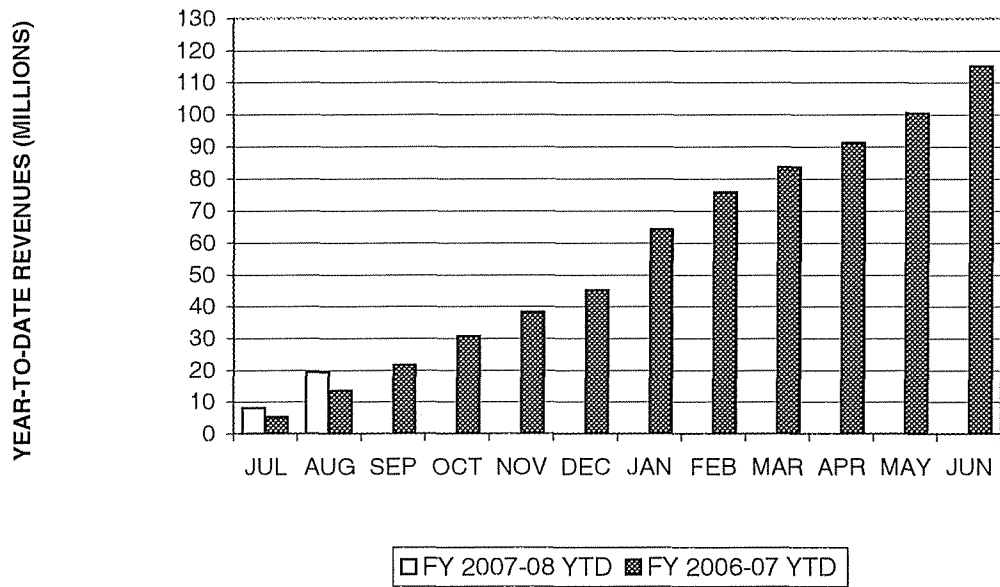
CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Construction/Conveyance Tax							
Prior Year Encumbrance	\$ -	-	13,679	13,679	13,679	N/A	21,473
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	84,720	-	-	84,720	84,720	N/A	97,477
Revenues	43,610	-	-	43,610	4,642	N/A	5,941
Total Sources	128,330	-	13,679	142,009	103,041	N/A	124,892
Total Uses	128,330	-	13,679	142,009	5,312	16,252	5,194
Gas Tax							
Prior Year Encumbrance	-	-	-	-	-	N/A	-
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	-	-	-	-	-	N/A	-
Revenues	17,200	-	-	17,200	1,706	N/A	1,532
Total Sources	17,200	-	-	17,200	1,706	N/A	1,532
Total Uses	17,200	-	-	17,200	231	-	1,532
Building and Structures							
Prior Year Encumbrance	-	-	8,200	8,200	8,200	N/A	10,817
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	13,599	-	-	13,599	13,599	N/A	19,245
Revenues	19,753	295	-	20,048	1,749	N/A	2,082
Total Sources	33,352	295	8,200	41,847	23,548	N/A	32,144
Total Uses	33,352	295	8,200	41,847	1,640	10,225	2,196
Residential Construction							
Prior Year Encumbrance	-	-	1	1	1	N/A	1
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	1,370	-	-	1,370	1,370	N/A	1,235
Revenues	256	-	-	256	19	N/A	62
Total Sources	1,626	-	1	1,627	1,390	N/A	1,298
Total Uses	\$ 1,626	-	1	1,627	6	-	6

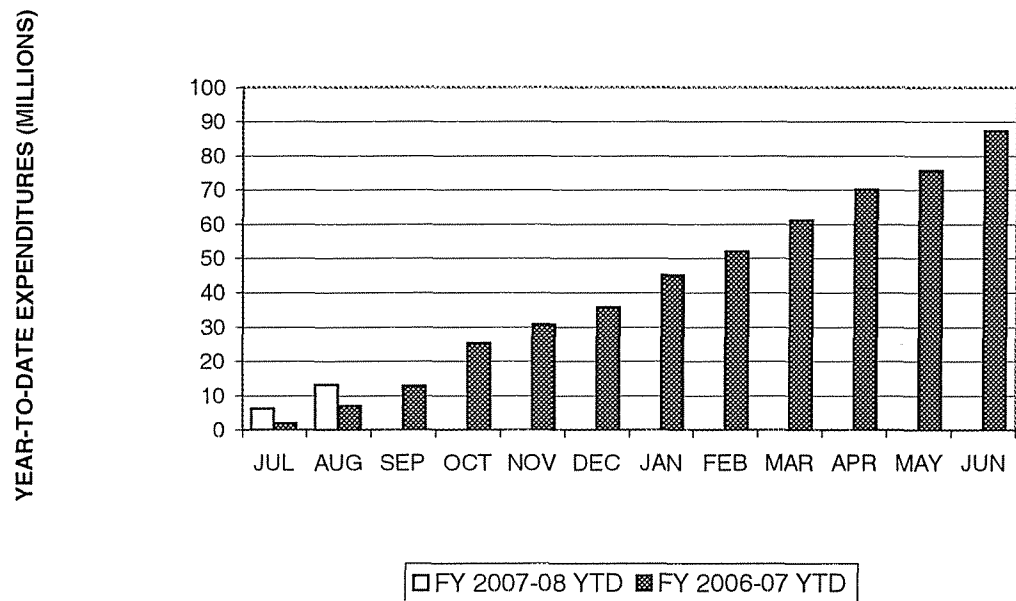
**CITY OF SAN JOSE
SPECIAL REVENUE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Transient Occupancy Tax							
Prior Year Encumbrance	\$ -	-	127	127	127	N/A	78
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	3,753	-	-	3,753	3,753	N/A	2,323
Revenues	13,450	-	-	13,450	1,373	N/A	1,106
Total Sources	17,203	-	127	17,329	5,252	N/A	3,507
Total Uses	17,203	-	127	17,329	1,125	1,790	54
Conventions, Arts & Enter							
Prior Year Encumbrance	-	-	338	338	338	N/A	150
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,088	-	-	2,088	2,088	N/A	289
Revenues	18,535	-	-	18,535	12	N/A	176
Total Sources	20,624	-	338	20,962	2,439	N/A	615
Total Uses	20,624	-	338	20,962	2,687	510	3,262
Golf							
Prior Year Encumbrance	-	-	11	11	11	N/A	11
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	698	-	-	698	698	N/A	111
Revenues	2,180	-	-	2,180	1,489	N/A	1,445
Total Sources	2,878	-	11	2,888	2,197	N/A	1,567
Total Uses	2,878	-	11	2,888	1,236	11	854
Other Funds							
Prior Year Encumbrance	-	-	56,828	56,828	56,828	N/A	52,594
Liquidation of c/o Encumbrance	-	-	-	-	-	N/A	-
Beginning Fund Balance	170,368	-	-	170,368	170,368	N/A	161,833
Revenues	443,023	-	-	443,023	65,616	N/A	39,050
Total Sources	613,391	-	56,828	670,219	292,812	N/A	253,477
Total Uses	\$ 613,391	-	56,828	670,219	42,330	161,981	49,775

AIRPORT REVENUE FUND 521 Comparison of YTD Revenues

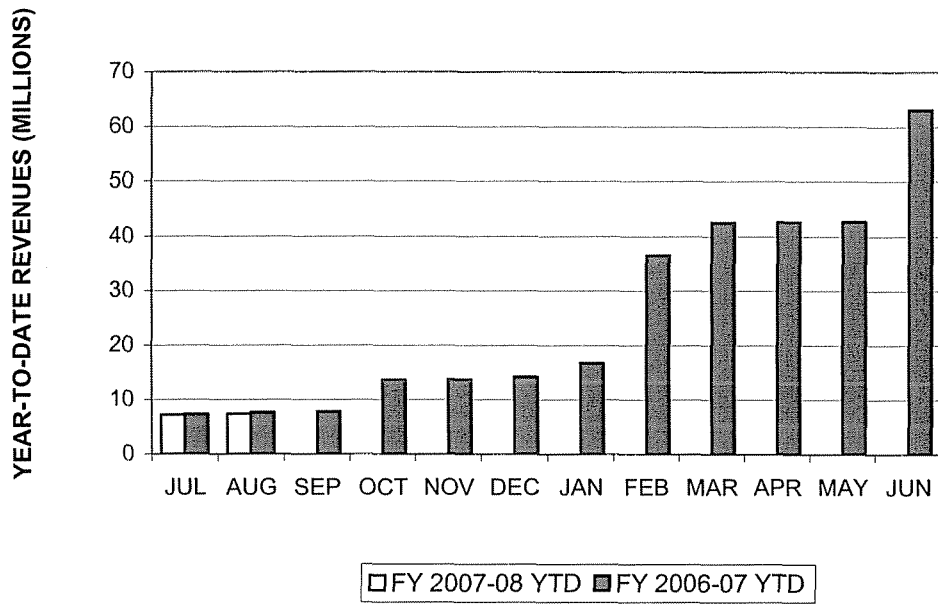


AIRPORT MAINTENANCE & OPERATING FUND 523 Comparison of YTD Expenditures

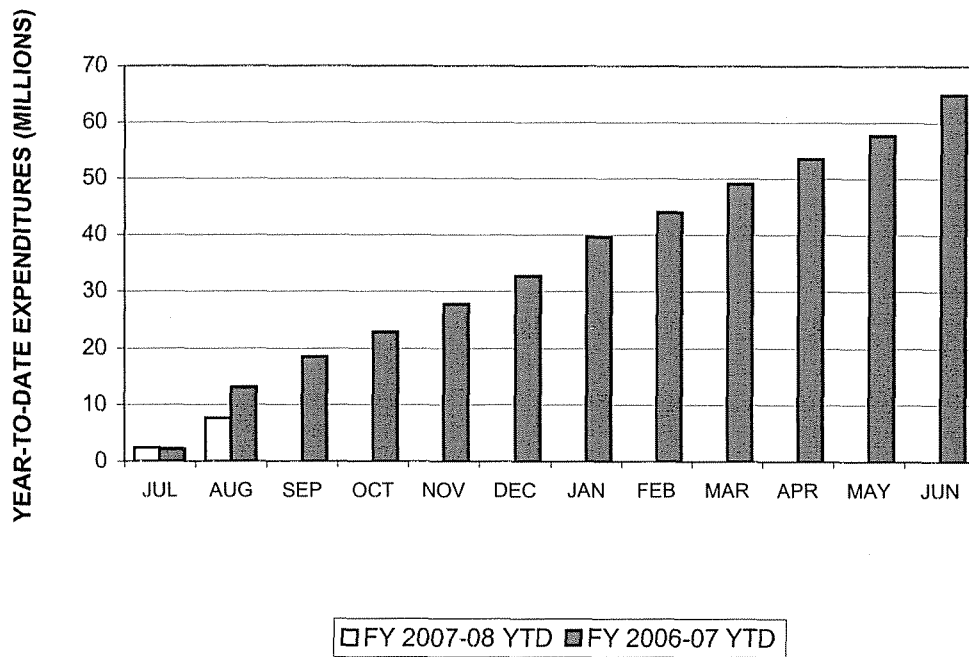


Note: The graphs above include the airport revenue fund (521) and operating fund (523) only.

WPCP OPERATING FUND 513
Comparison of YTD Revenues

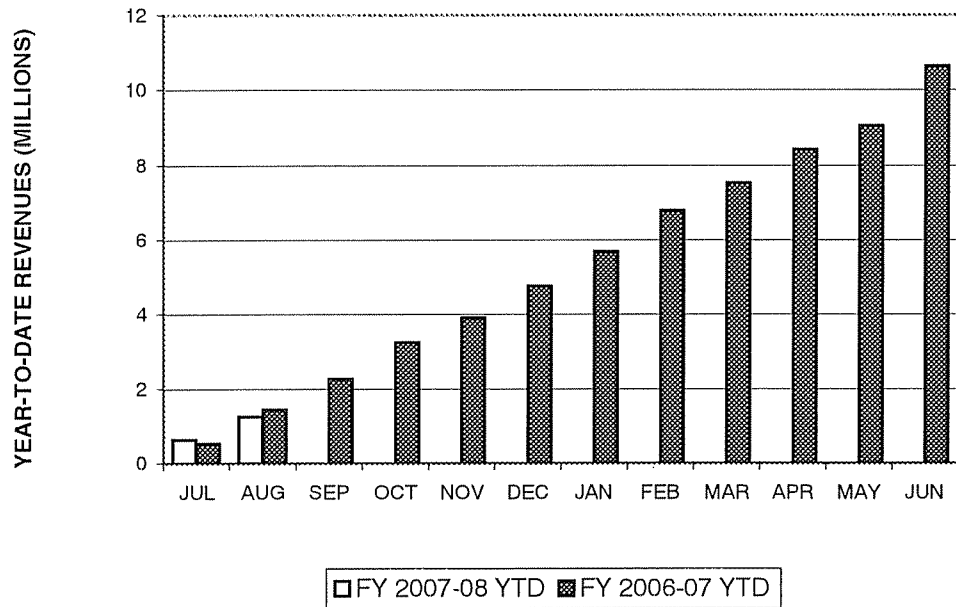


WPCP OPERATING FUND 513
Comparison of YTD Expenditures

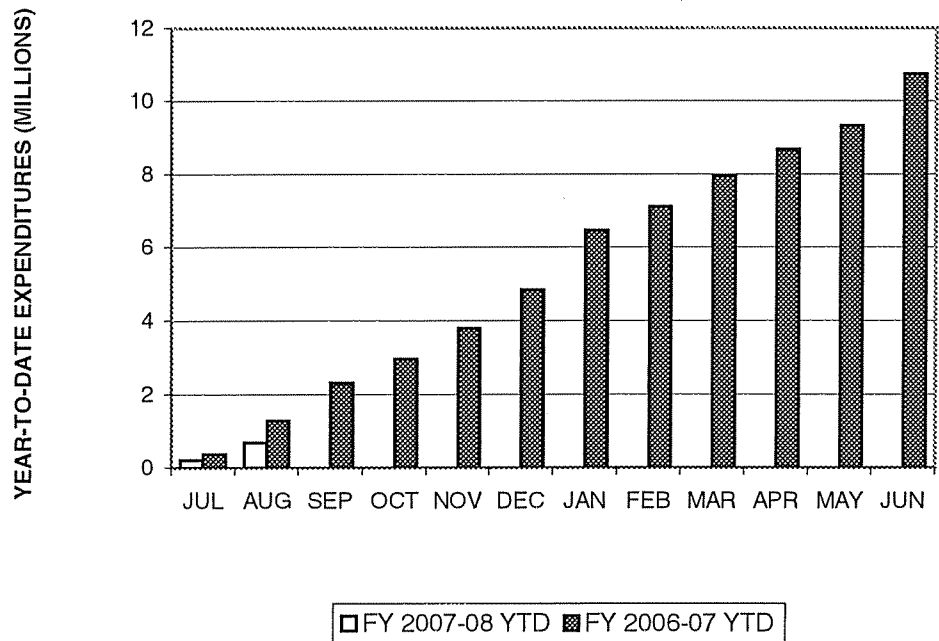


Note: Graphs above are only for WPCP operating fund (513).

PARKING OPERATING FUND 533
Comparison of YTD Revenues



PARKING OPERATING FUND 533
Comparison of YTD Expenditures



**CITY OF SAN JOSE
ENTERPRISE FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Airport							
Prior Year Encumbrance	\$ -	-	190,201	190,201	190,201	N/A	75,631
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	685,863	-	-	685,863	685,863	N/A	430,380
Revenues	1,308,762	-	-	1,308,762	59,874	N/A	35,242
Total Sources	<u>1,994,625</u>	<u>-</u>	<u>190,201</u>	<u>2,184,826</u>	<u>935,938</u>	<u>N/A</u>	<u>541,253</u>
Total Uses	<u>1,994,625</u>	<u>-</u>	<u>190,201</u>	<u>2,184,826</u>	<u>54,323</u>	<u>272,861</u>	<u>41,564</u>
(Note 1)							
Waste Water Treatment							
Prior Year Encumbrance	-	-	38,241	38,241	38,241	N/A	87,923
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	147,623	-	-	147,623	147,623	N/A	140,022
Revenues	248,843	-	-	248,843	95,516	N/A	14,745
Total Sources	<u>396,466</u>	<u>-</u>	<u>38,241</u>	<u>434,708</u>	<u>281,381</u>	<u>N/A</u>	<u>242,691</u>
Total Uses	<u>396,466</u>	<u>-</u>	<u>38,241</u>	<u>434,708</u>	<u>25,302</u>	<u>46,311</u>	<u>32,595</u>
(Note 2)							
Municipal Water							
Prior Year Encumbrance	-	-	1,603	1,603	1,603	N/A	1,972
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,481	-	-	11,481	11,481	N/A	10,301
Revenues	28,798	-	-	28,798	6,794	N/A	6,154
Total Sources	<u>40,279</u>	<u>-</u>	<u>1,603</u>	<u>41,883</u>	<u>19,879</u>	<u>N/A</u>	<u>18,427</u>
Total Uses	<u>40,279</u>	<u>-</u>	<u>1,603</u>	<u>41,883</u>	<u>4,633</u>	<u>2,768</u>	<u>5,838</u>
Parking							
Prior Year Encumbrance	-	-	873	873	873	N/A	2,115
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	11,816	-	-	11,816	11,816	N/A	12,329
Revenues	10,425	-	-	10,425	1,252	N/A	1,440
Total Sources	<u>22,241</u>	<u>-</u>	<u>873</u>	<u>23,115</u>	<u>13,941</u>	<u>N/A</u>	<u>15,884</u>
Total Uses	<u>\$ 22,241</u>	<u>-</u>	<u>873</u>	<u>23,115</u>	<u>685</u>	<u>1,571</u>	<u>1,279</u>

Note 1 - All Airport Funds, including operating, revenue, capital and debt service.

Note 2 - All Waste Water Funds, including operating, revenue, capital and debt service.

**CITY OF SAN JOSE
CAPITAL PROJECT FUNDS
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBER	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBER	
Construction Excise							
Prior Year Encumbrance	\$ -	-	7,731	7,731	7,731	N/A	2,780
Liquidation of c/o Enc.	-	-	-	-	-	N/A	-
Beginning Fund Balance	12,004	-	-	12,004	12,004	N/A	9,075
Revenues	32,584	-	-	32,584	3,561	N/A	10,496
Total Sources	<u>44,588</u>	<u>-</u>	<u>7,731</u>	<u>52,319</u>	<u>23,296</u>	<u>N/A</u>	<u>22,351</u>
Total Uses	<u>44,588</u>	<u>-</u>	<u>7,731</u>	<u>52,319</u>	<u>9,157</u>	<u>11,482</u>	<u>4,656</u>
Redevelopment Projects							
Prior Year Encumbrance	-	-	3,057	3,057	3,057	N/A	4,149
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,654	-	-	2,654	2,654	N/A	3,466
Revenues	103	200	-	303	1,057	N/A	589
Total Sources	<u>2,757</u>	<u>200</u>	<u>3,057</u>	<u>6,014</u>	<u>6,768</u>	<u>N/A</u>	<u>8,204</u>
Total Uses	<u>2,757</u>	<u>200</u>	<u>3,057</u>	<u>6,014</u>	<u>284</u>	<u>2,979</u>	<u>(484)</u>
Other							
Prior Year Encumbrance	-	-	47,685	47,685	47,685	N/A	46,252
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	260,216	-	-	260,216	260,216	N/A	235,163
Revenues	58,518	11,022	-	69,540	2,647	N/A	2,536
Total Sources	<u>318,734</u>	<u>11,022</u>	<u>47,685</u>	<u>377,441</u>	<u>310,549</u>	<u>N/A</u>	<u>283,951</u>
Total Uses	<u>\$ 318,734</u>	<u>11,022</u>	<u>47,685</u>	<u>377,441</u>	<u>6,342</u>	<u>50,726</u>	<u>2,582</u>

**CITY OF SAN JOSE
OTHER FUND TYPES
SOURCE AND USE OF FUNDS
FOR THE 2 MONTHS ENDED AUGUST 31, 2007
(UNAUDITED)
(\$000's)**

	ADOPTED FY 2007-08 BUDGET	YTD BUDGET AMENDMENTS	C/O ENCUMBR	REVISED FY 2007-08 BUDGET	YEAR-TO-DATE		PRIOR Y-T-D ACTUAL
					ACTUAL	ENCUMBR	
Trust and Agency							
Prior Year Encumbrance	\$ -	-	28	28	28	N/A	105
Liquidation of c/o Enc	-	-	-	-	-	N/A	-
Beginning Fund Balance	2,345	-	-	2,345	2,345	N/A	2,776
Revenues	1,211	-	-	1,211	1,339	N/A	2,420
Total Sources	<u>3,556</u>	<u>-</u>	<u>28</u>	<u>3,583</u>	<u>3,711</u>	<u>N/A</u>	<u>5,301</u>
Total Uses	<u>\$ 3,556</u>	<u>-</u>	<u>28</u>	<u>3,583</u>	<u>243</u>	<u>219</u>	<u>191</u>